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Canadian Investment Fund, LTD.

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**Canada's Original Mutual Fund**  
**39th Annual Report 1971**



## **Directors**

Graham F. Towers, C.C., C.M.G., *Chairman*

David W. Barr

Henry Borden, S.M., C.M.G., Q.C.

Hugh Bullock, K.B.E.

Alan Chippindale

G. Blair Gordon

G. Arnold Hart, M.B.E.

William S. Kirkpatrick

Lucien G. Rolland

Ian D. Sinclair

### **Custodian**

The Royal Trust Company

*Montreal*

### **Transfer Agents**

The Royal Trust Company

*Vancouver, Calgary, Regina, Winnipeg,  
Toronto, Montreal, Charlottetown*

The Trust Company of New Jersey

*Jersey City*

### **Auditors**

Price Waterhouse & Co.

*Montreal*

# Highlights

Year ended December 31	1971	1970
Total Net Assets	\$171,977,572	\$166,316,038
Net Asset Value Per Share	\$4.70	\$4.42
Cost of Investments	\$ 92,507,776	\$ 95,230,865
Market Value of Investments	\$148,217,561	\$147,840,566
Balance of Realized Profits	\$ 52,688,177	\$ 45,403,794
Unrealized Profits	\$ 55,709,785	\$ 52,609,701
Shares Outstanding	36,568,527	37,564,727
Total Dividends Paid	\$ 6,308,939	\$ 6,443,871
Dividends Paid per Share	17¢	17¢

To the Shareholders:

It is a pleasure to report to shareholders on CIF's 39th year of service to investors in Canada and many other parts of the world. 1971 was another successful year for CIF. Total net assets and profits on investments, both realized and unrealized, rose substantially during the year. Furthermore, and probably of greatest interest to shareholders, the year saw the Fund's per share net asset value rise, reaching new record high levels in December.

CIF's performance in 1971 again compared favourably with the rest of the industry. Per share net asset value rose 6% excluding dividends, and 10% including dividends. Shareholders received the same record high dividends totalling 17¢ per share as in the previous year. Moreover, your Company's total operating expense ratio of only 0.48% remained the lowest of any incorporated mutual fund sold publicly in Canada.

The chart inside the back cover shows how, year after year, since the Fund's inception in 1932, adherence to its often re-stated policy of investing primarily in carefully selected high grade, dividend paying, Canadian common stocks has continued to increase CIF's value as an investment medium.

Detailed information on the Company's position and operations during the past year, as well as brief reviews of its long-term history and record appear in this report. Also presented, on behalf of the Board of Directors, are complete financial statements for the fiscal year 1971, the Auditors' Report, a full list of investments and changes, and tax information.

We hope you will find this report of interest and would be happy to have the opportunity to answer any questions shareholders may have.

By order of the Board of Directors

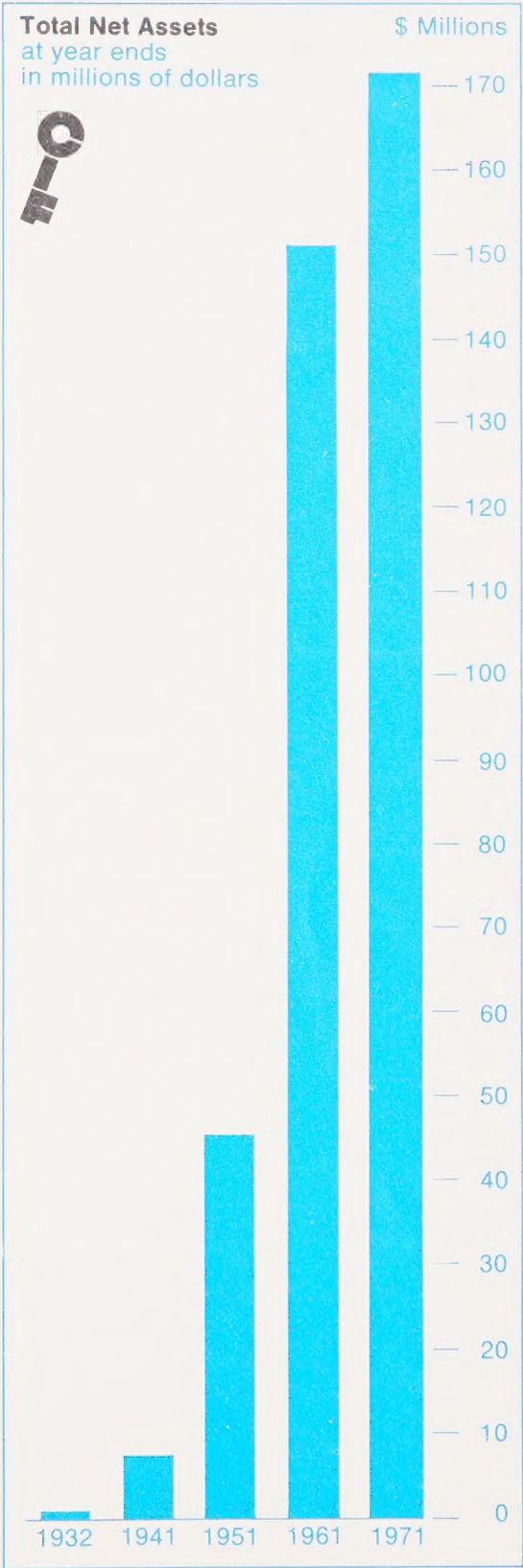
*Hugh Bullock*

February 28, 1972.

President

- Shareholders are to be found in every province of Canada as well as many other parts of the world, and include a wide variety of individuals and organizations.
- CIF total cumulative shareholder benefits exceeded the Fund's net assets at the end of 1971. The total of well over \$215,000,000 was made up of over \$110,000,000 in cash dividends paid, a balance of profits realized on investments exceeding \$52,000,000, and unrealized profits of over \$55,000,000.
- Despite continuing rising costs of doing business, your Company's total operating expense ratio was only 48/100ths of 1% of average net assets. This is unusually low by industry standards.

*The Fund's growth since its inception in December 1932 is shown graphically at right.*



## Directors

Mr. Norris R. Crump tendered his resignation from the Board of Directors effective at the end of 1971. He advised the Chairman that he was taking this action because of his impending retirement from active service with Canadian Pacific Limited, and his planned move to Calgary. At a meeting on January 11, 1972 the Board accepted the resignation with deep regret and by resolution, expressed their appreciation for the valuable service and wise counsel he had rendered to the Company for the past 13 years.

It is a pleasure to be able to advise shareholders that Mr. Ian D. Sinclair, President and Chief Executive Officer of Canadian Pacific Limited, was elected a Director of the Company, filling the Board vacancy.

On the opposite page you will find the names of the Directors including a brief summary of their background and affiliations.

*Shown below discussing a report to the Directors are, from left to right, Blaikie Purvis, President and Managing Director; Rolland Peloquin, Vice-President and Treasurer; Carl MacCallum, Vice-President in charge of Research, of Calvin Bullock, Ltd., Canada.*



# The Board of Directors



*Chairman*  
**Graham F. Towers, C.C., C.M.G.**  
Original head for 20 years,  
Bank of Canada, Director,  
Canada Life Assurance Company,  
and Moore Corporation Limited.



*President,*  
**Hugh Bullock, K.B.E.,**  
Chairman and Chief  
Executive Officer, Calvin Bullock,  
Ltd., New York and Chairman or  
President of other investment  
companies under Calvin Bullock  
supervision. A pioneer in the  
investment company industry with  
over 40 years of investment  
experience.



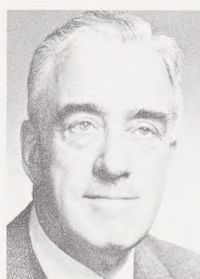
**David W. Barr,**  
President and Director, Moore Corp.  
Limited; Director, National Trust Co.  
Ltd., Devam Inc., Dominion Paper  
Box Co. Ltd., The Dominion  
Insurance Corporation, Moore  
Business Forms, Incorporated.



**G. Arnold Hart, M.B.E.,**  
Chairman, Bank of Montreal;  
Director, Cominco Ltd., Canadian  
Pacific Limited, The International  
Nickel Co. of Canada Limited, Sun  
Life Assurance Co. of Canada.



**Henry Borden, S.M., C.M.G., Q.C.,**  
Chairman, Canada Security  
Assurance Company; Director, Bell  
Canada, Brascan Limited, I.B.M.  
Canada, Massey Ferguson Ltd, Rio  
Algom Mines Ltd.



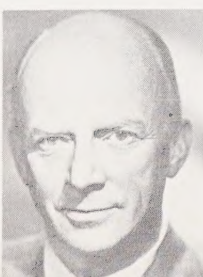
**W. S. Kirkpatrick,**  
Former Chairman, Cominco Ltd.;  
Director, Consolidated-Bathurst  
Limited, Dominion Bridge Co. Ltd.,  
Eldorado Nuclear Limited.



**Alan Chippindale,**  
Former President, Calvin Bullock,  
Ltd., Montreal, and an executive  
officer of CIF from inception in  
1932. A mutual fund industry leader  
in Canada for over 35 years.  
Founding past President of The  
Canadian Mutual Funds  
Association.



**Lucien G. Rolland,**  
President, Rolland Paper Co. Ltd.;  
Director, Bank of Montreal, Bell  
Canada, The Steel Company of  
Canada, Ltd., Canadian Pacific  
Limited.



**G. Blair Gordon,**  
Director, British America Assurance  
Co., The Mutual Life Assurance Co.  
of Canada, The Western Assurance  
Co., The Royal Trust Company.



**Ian D. Sinclair,**  
President and Chief Executive  
Officer, Canadian Pacific Limited;  
Director, The Royal Bank of  
Canada, Sun Life Assurance  
Company of Canada Limited,  
TransCanada Pipelines Limited,  
Union Carbide Canada Limited.

# Investment Supervision

Your Company's investments are continuously supervised by Calvin Bullock, Ltd., founded in 1894, the oldest organization in North America specializing in the management of investment companies. Assets under its supervision at year end exceeded \$900 million.

# The Common Stock Investment Policy of Your Company

CIF was incorporated in Canada in 1932, pioneering the Mutual Fund industry in the country. It was designed originally and continues to offer the opportunity for diversified and supervised investment in the Canadian economy.

The Fund's objective is to seek a balance between reasonable income and long-term capital growth.

At December 31, 1971 CIF owned common stocks of 30 Canadian Corporations and 6 U.S. Corporations operating in more than a dozen different industries. The principal concentration of investments was in companies engaged in the production or processing of Canada's rich natural resources and in the financial and food and beverage industries. The public utility group which included natural gas accounted for 14.20%, the petroleum group 12.12%, mining and heavy industry 9.02% and banks and other financial 20.41% of net assets.

Shown below are the ten largest individual common stock holdings at December 31, 1971.

	Market Value
Moore Corporation	\$13,224,000
Hiram Walker	10,437,500
Bank of Montreal	9,250,000
Interprovincial Pipe	8,850,000
Royal Bank of Canada	8,475,000
IAC Limited	8,085,000
Bell Canada	6,918,750
Imperial Oil Limited	6,820,000
Union Gas	6,490,000
General Motors	6,450,000

## Participation in Canada's Future

Canadian mutual funds, as well as other investment companies and pension funds, have played an increasingly important role over the past decade in channeling the savings of investors both in this country and overseas into Canadian common stocks. The total value of this portion of the portfolios of Canadian mutual funds alone increased from some \$500 million to \$1¼ billion during the decade.

CIF has one of the highest "Canadian content" portfolios in the industry, and will continue to attract investors of all sorts who are interested in owning a stake in Canada's future.

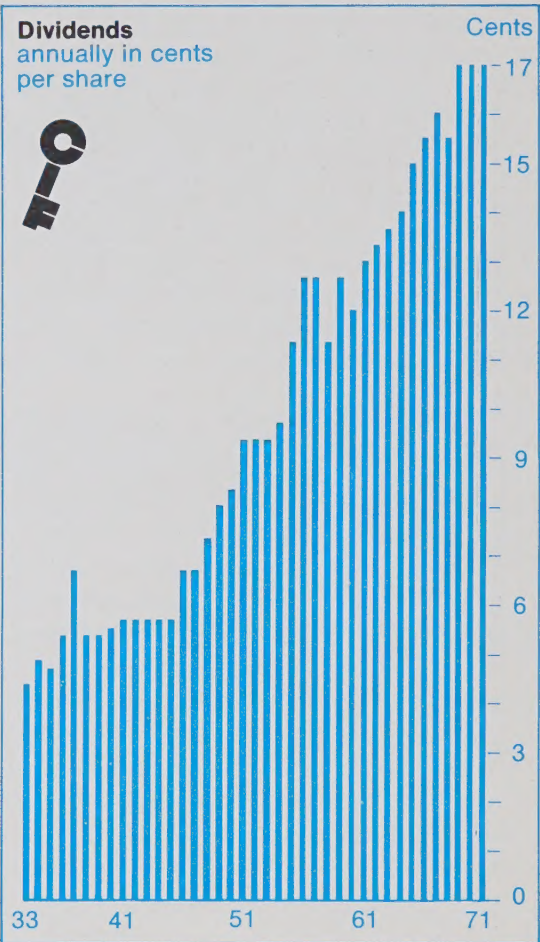
## Revised Income Tax Act

Under the revised Income Tax Act of Canada which became effective at the beginning of 1972, CIF is classified as a mutual fund corporation and also qualifies as an investment corporation and, as such, will enjoy the preferential tax treatment afforded such corporations. The Company will receive dividends from taxable Canadian corporations tax free; its other taxable income, including net taxable capital gains, will be subject to an effective tax rate of 25% in 1972. Such tax paid by the Company on capital gains however, will be fully refunded upon payment to shareholders of the gain in the form of a capital gains dividend. The Company intends to distribute its realized capital gains to its shareholders. The 25% tax on all other income of the Company will not be refundable, but shareholders will receive full credit for the tax paid.

Also, in the opinion of counsel, the Income Tax Act preserves the "conduit" principle established for many years; as a consequence, shareholders will pay tax on taxable dividends at no greater cost than if they held the securities owned by the Company directly instead of through the medium of a mutual fund. Dividends paid by the Company to shareholders resident in Canada, other than capital gains dividends, will be eligible for the 33-⅓% dividend tax credit. One half of any capital gains realized on redemption of shares (net of allowable capital losses) will be taxable in the hands of resident shareholders at normal individual or corporate rates. Non-resident shareholders will continue to be subject to the specially low withholding tax of 10% of the amount of taxable dividends paid to them. This benefit is accorded to non-resident shareholders of certain Canadian corporations, including CIF, the majority of whose shares are owned by persons resident in Canada.

# Cash Dividends

Dividends paid in 1971 totalled 17 cents, the same record amount per share as in 1970. The chart at right shows the substantial growth in annual dividends paid by the Fund since its inception. At the end of 1971 CIF had paid 155 consecutive quarterly cash dividends totalling more than \$110 million.

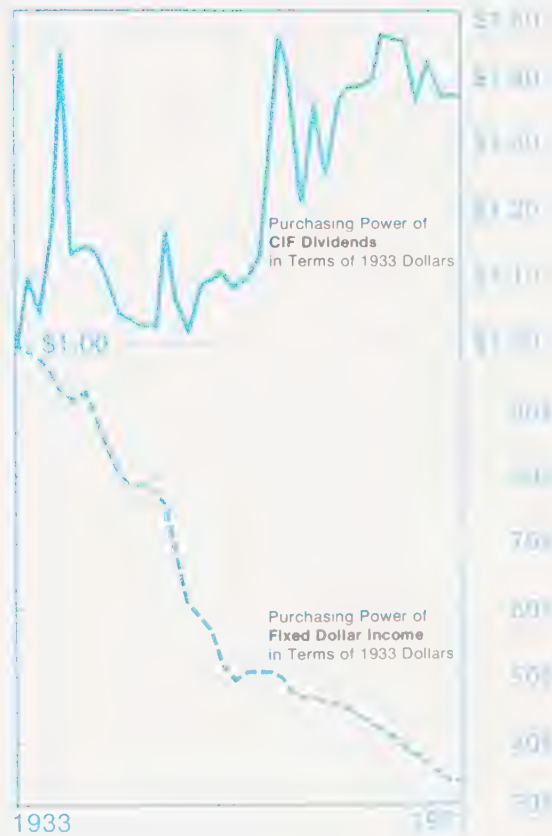


# Protection Against Rising Prices

Throughout this century the cost of living has risen; economists call this inflation . . . a dollar buys fewer loaves of bread today than it did ten years ago. In the past, the market values of carefully selected common stocks have usually risen more than the cost of living, and so have their dividends.

Though inflation has reduced the purchasing power of money, CIF shareholders have been protected against rising prices over the Fund's thirty-nine year history, as shown in the chart. CIF dividends (in terms of 1933 dollars) are compared to the continuous loss in purchasing power of a fixed dollar income over the period.

Moreover, shareholders' capital has been protected from inflation over the same period. For example a \$10,000 investment in CIF at offering price on January 1, 1933 could have been liquidated for \$46,250 at the end of 1971, a capital gain of 362% compared with the 193% rise in the official cost of living index in the period.



## 1971 in Review

Last year we reported to you "1971 may well be a year of recovery and provide a potentially rewarding investment experience to those who invest in stocks with a strong financial backing". Indeed last year was a most unusual year in terms of growth in the Canadian economy which expanded at a more rapid rate than that of other industrialized countries. Nevertheless, a number of very significant events occurred in the closing months of the year which masked the strong underlying fundamentals in the economy.

The imposition by the United States of a 10% surcharge on certain manufactured imports and provision for special U.S. export incentives, raised fears of a world trade war. Removal of fixed currency exchange rates injected a further note of uncertainty. Although these measures may have seemed harsh at the time, they quickly brought into focus the problem facing the United States with respect to its balance of payments, and the role of other major trading nations in relation to that problem. While solutions were being sought amongst the world's principal trading nations within the Group of 10, growing investor pessimism over the ultimate effects of the U.S. measures depressed North American stock markets. In fact, the measures had very little immediate negative impact on Canada, as they might have done had they remained in effect for any length of time. Once the surcharge was lifted and fixed currency parities established for all industrial countries except Canada on December 18, 1971, the Canadian stock market then began to take at face value the demonstrable strength underlying the economy and stock prices moved sharply ahead in the last few days of the year. The MSE Industrial Index rose by 5.3% for the year over-all. The net asset value of CIF increased by 6.3% or 10.1% including dividends paid.

## Outlook

For the current year your managers expect the Canadian economy to grow at a rate comparable to that experienced in 1971, that is a gross national product increase to \$100 billion, or approximately 6% in real terms deleting the inflationary factor. Consumer loans were particularly important to bank profits early last year, but towards autumn business loans also began to pick up markedly. Inventories are low and capital expenditure intentions appear to be modest, so that business borrowing may reflect strengthening of corporate liquidity at a time of relatively low interest rates. If bank liquidity continues to decrease as over the past several months, a gradual strengthening of interest rates could well occur as the year wears on. Certainly one harbinger of high rates has been the turn-up in the consumer price index although the trend is not too clearly defined as yet. If Canadian prices continue to escalate relative to those in the United States and elsewhere, shrinkage in the export surplus which has been occurring since May of 1971 could accelerate. Provided that inflation can be kept in check, and this is by no means certain at this time, Canada should again record substantial growth and this should be reflected in the market for Canadian stocks in well financed companies.

# Shareholder Services Designed to Meet Your Investment Objectives

Over the years mutual funds have developed many and varied services for their shareholders. CIF, as Canada's original mutual fund, has been among the leaders in this respect. One or more of the CIF services outlined below are being utilized by a substantial number of shareholders with estate planning or other definite objectives in mind.

## **CIF Growth Plan**

This plan is designed for anyone who wishes to make regular periodic contributions in order to build up his investment in CIF and to reinvest his dividends in new CIF shares. There are no penalties involved if the shareholder does not meet his proposed schedule of contributions. A plan in which \$1,000 was invested annually in CIF starting January 1, 1933 with dividends reinvested, could have been liquidated for \$247,045 at December 31, 1971.

## **CIF Retirement Savings Plan**

Those who wish to take advantage of the provisions of the Income Tax Act for building retirement savings in which currently tax free dividends are reinvested, can use the CIF Retirement Savings Plan. It allows individuals in Canada to utilize important current tax savings to provide retirement income.

## **CIF Systematic Withdrawal Plan**

This plan is designed for the investor who wishes to make a lump sum purchase of shares and later withdraw fixed dollar amounts at monthly or quarterly intervals. The amounts withdrawn are derived from dividend income to the extent this source is sufficient; where it is not, enough shares are sold to make up the difference.

## **Letter of Intent**

This permits an investor to make a series of purchases of CIF shares over a 12 month period, frequently permitting the investor to take advantage of a reduced sales charge based on the aggregate dollar amount of purchases during the period.

Full details of these plans are available from any investment dealer in Canada, without obligation.

Investment Changes

December 31, 1970 — December 31, 1971

Purchases	Net Increase	New Total
Common Stocks	Shares	Shares
Alcan Aluminium Limited	70,000	70,000
The Bank of Nova Scotia	94,000	139,000
Banque Canadienne Nationale	25,000	100,000
Bell Canada	50,000	150,000
British Columbia Telephone Company	20,000	20,000
Canada Packers Limited	15,000	150,000
Canadian Industries Limited	13,000	50,000
Canadian Pacific Limited (1)	45,000	75,000
Dome Mines Limited	5,000	30,000
Hudson's Bay Company	53,000	133,000
MacMillan Bloedel Ltd.	30,000	240,000
Noranda Mines Limited	67,000	67,000
Rio Algom Mines Ltd.	32,500	117,500
Trans Canada Pipelines Limited	27,000	162,000

(1) Split 5 for 1 less shares sold

Investment Changes

December 31, 1970 — December 31, 1971

Sales	Net Decrease	New Total
<b>Common Stocks</b>	Shares	Shares
Canadian Imperial Bank of Commerce	105,000	150,000
Cominco Ltd.	55,000	Nil
Distillers Corporation-Seagrams Limited	30,000	Nil
IAC Limited	80,000	420,000
Imperial Oil Limited	30,000	220,000
Interprovincial Pipe Line Company	50,000	300,000
Mobil Oil Corporation	38,000	Nil
Moore Corporation, Limited	22,000	348,000
Pine Point Mines Limited	8,000	Nil
Shell Canada Limited	10,000	Nil
Simpson's, Limited	168,000	Nil
Standard Oil Company (New Jersey)	30,000	30,000
The Steel Company of Canada, Limited	42,500	107,500
Woodward Stores Limited "A"	5,000	100,000
<b>Preferred Stocks</b>		
IAC Limited, 5¼%	14,000	40,000
Trans Canada Pipelines Limited, \$2.75 Conv.	575	18,825
Canadian Pacific Limited, 4%	\$390,000	Nil
	<b>Principal Amount</b>	<b>Principal Amount</b>
<b>Bonds</b>		
Gov't of Canada, 4¼% September 1, 1972	\$2,000M	Nil
Canadian National Railway Company, 3¾% February 1, 1974	2,000M	Nil

Investments

At December 31, 1971

Common Stocks	Shares	Market Value†	Proportion of a \$10,000 Investment*
<b>Automotive</b>			
General Motors Corporation	80,000	\$ 6,450,063	\$ 375
<b>Bank</b>			
Bank of Montreal	500,000	9,250,000	538
The Bank of Nova Scotia	139,000	4,239,500	246
Banque Canadienne Nationale	100,000	1,425,000	83
Canadian Imperial Bank of Commerce	150,000	3,637,500	211
The Royal Bank of Canada	300,000	8,475,000	493
		27,027,000	1,571
<b>Non-Bank Financial</b>			
IAC Limited	420,000	8,085,000	470
<b>Chemical</b>			
Canadian Industries Limited	50,000	700,000	41
<b>Food &amp; Beverage</b>			
Canada Packers Limited	150,000	2,850,000	166
Hiram Walker-Gooderham & Worts, Ltd.	250,000	10,437,500	607
		13,287,500	773
<b>Heavy Industry</b>			
Dominion Foundries and Steel, Limited	128,000	3,120,000	181
The Steel Company of Canada, Limited	107,500	2,835,312	165
		5,955,312	346

**Investments**

At December 31, 1971

Common Stocks (Continued)	Shares	Market Value†	Proportion of a \$10,000 Investment
<b>Mining</b>			
Alcan Aluminium Limited	70,000	\$ 1,277,500	\$ 74
Dome Mines Limited	30,000	1,635,000	95
The International Nickel Co. of Can. Ltd.	83,000	2,656,000	154
Noranda Mines Limited	67,000	2,211,000	129
Rio Algom Mines Limited	117,500	1,791,875	104
		9,571,375	556
<b>Paper &amp; Newsprint</b>			
Consolidated-Bathurst Limited	100,000	787,500	46
Crown Zellerbach Corporation	10,000	340,531	20
MacMillan, Bloedel Ltd.	240,000	6,180,000	359
		7,308,031	425
<b>Petroleum</b>			
Imperial Oil Limited	220,000	6,820,000	397
Interprovincial Pipe Line Company	300,000	8,850,000	515
Standard Oil Company (New Jersey)	30,000	2,215,957	129
Standard Oil Company (Ohio)	15,000	1,230,044	72
Texaco Canada Limited	50,000	1,712,500	99
		20,828,501	1,212
<b>Public Utility</b>			
Bell Canada	150,000	6,918,750	402
British Columbia Telephone Company	20,000	1,300,000	76
The Consumers' Gas Company	200,000	3,925,000	228
Trans Canada Pipelines Limited	162,000	5,791,500	337
Union Gas Company of Canada, Limited	440,000	6,490,000	377
		24,425,250	1,420

Investments

At December 31, 1971

Common Stocks (Continued)	Shares	Market Value†	Proportion of a \$10,000 investment*
<b>Retail Trade</b>			
Hudson's Bay Company	133,000	\$ 2,543,625	\$ 148
Woodward Stores Limited "A"	100,000	2,462,500	143
		5,006,125	291
<b>Textile</b>			
Dominion Textile Company Limited	50,000	1,000,000	58
<b>Miscellaneous</b>			
Canadian Pacific Limited	75,000	1,040,625	61
International Business Machines Corp.	5,000	1,685,129	98
Moore Corporation, Limited	348,000	13,224,000	769
		15,949,754	928
<b>Total Common Stocks</b>		<b>\$145,593,911</b>	<b>\$ 8,466</b>

Investments

At December 31, 1971

Preferred Stocks	Shares	Market Value†	Proportion of \$10,000 investment†
Dominion Glass Company Ltd., 7% Conv.	15,000	\$ 191,250	\$ 11
IAC Limited, 5¾%	40,000	940,000	55
Texaco Canada Limited, 4%	738	46,125	3
Trans Canada Pipelines Limited, \$2.75 Conv.	18,825	1,261,275	73
Zeller's Limited, 4½%	5,000	185,000	10
<b>Total Preferred Stocks</b>		2,623,650	152
<b>Total Investments</b>		148,217,561	8,618
<b>Cash, Etc., Net</b>		23,760,011	1,382
<b>Total Net Assets</b>		\$171,977,572	\$10,000

† Investments valued at market quotations. Market values of United States securities are expressed in Canadian funds at the rate of exchange prevailing on December 31, 1971, 5/32% premium on U.S. funds.

Dollar amount for each security represented by a \$10,000 investment in the Fund at asset value on that date.

**Statement of Net Assets (Balance Sheet) — December 31, 1971**

(and comparative figures for 1970)

<b>Assets</b>	<b>1971</b>	<b>1970</b>
Investments at market value (average cost — 1971 — \$92,507,776; 1970 — \$95,230,865)	\$148,217,561	\$147,840,566
Cash on deposit, demand	23,167,175	18,319,765
Interest accrued and dividends receivable	718,984	701,947
Due by subscriber to capital stock	135,561	48,504
Receivable in respect of securities sold	94,693	—
Prepaid income taxes	8,292	—
<b>Total assets</b>	<b>172,342,266</b>	<b>166,910,782</b>

**Liabilities**

Payable in respect of securities purchased	3,816	342,155
Payable for special shares of capital stock redeemed or purchased for cancellation	192,630	85,460
Management and directors' compensation payable	157,514	154,890
Accrued expenses and sundry accounts payable	10,284	10,130
United States withholding tax	450	454
Canadian taxes on income	—	1,655
<b>Total liabilities</b>	<b>364,694</b>	<b>594,744</b>
<b>Net assets at market value</b>	<b>\$171,977,572</b>	<b>\$166,316,038</b>
<b>Net asset value per share</b>	<b>\$ 4.70</b>	<b>\$ 4.42</b>

**Shareholders' Equity**

Capital stock:

Special shares of 33⅓ cents each (redeemable on demand by  
the holders at liquidating value as provided in the Letters  
Patent of the Company) —

Authorized —

105,000,000 shares of which 39,108,904 (1970 —  
36,545,705) have been redeemed or purchased for can-  
cellation from inception

Outstanding —

36,565,527 shares (1970 — 37,561,727 shares) \$ 12,188,509 \$ 12,520,576

Ordinary shares —

Authorized and outstanding —

3,000 shares of 33⅓ cents each 1,000 1,000

**Total capital stock** 12,189,509 12,521,576

Surplus, as per statements annexed:

Paid-in surplus 49,793,167 53,856,283

Earned surplus 54,285,111 47,328,478

**Total surplus** 104,078,278 101,184,761

Unrealized appreciation of investments 55,709,785 52,609,701

**Shareholders' equity as per net assets above** \$171,977,572 \$166,316,038

Approved on behalf of the Board:

G. F. TOWERS, *Director*

ALAN CHIPPINDALE, *Director*

Canadian Investment Fund, Ltd.

Statement of Income Account for the Year Ending December 31, 1971  
(and comparative figures for 1970)

Income:	1971	1970
Cash dividends	\$5,056,273	\$5,290,484
Bond interest	152,897	374,243
Interest on cash deposits	1,116,889	957,989
Proceeds — dividends in stock, and rights	55,520	41,843
	6,381,579	6,664,559
Expenses:		
Management	558,581	528,842
Transfer, dividend paying agent's and custodian's fees	77,840	55,183
General expenses and auditors' fees	65,047	84,056
Taxes, other than income taxes	3,423	3,576
Legal fees and expenses	9,382	13,456
Directors' compensation	85,500	85,500
	799,773	770,613
Net income before providing for the items shown below	5,581,806	5,893,946
United States withholding and Canadian income taxes paid and provided for	207,863	241,325
Net income, exclusive of profit or loss from sales of securities	\$5,373,943	\$5,652,621

**Statement of Distribution Account for the Year Ending December 31, 1971**  
(and comparative figures for 1970)

	1971	1970
Balance of income account, as annexed	\$5,373,943	\$5,652,621
Balance of distribution account at beginning of year	1,934,877	2,146,630
Received on subscriptions to capital stock to equalize the per share amount available for distribution on the then outstanding shares (dividends declared are first chargeable against this amount) as provided by resolutions of the Board of Directors	74,647	77,456
Transferred from profits on sales of securities an amount equal to management and directors' compensation charged to income	644,081	614,342
	8,027,548	8,491,049
<b>Deduct:</b>		
Dividends paid		
Special shares	6,308,429	6,443,361
Ordinary shares	510	510
Amounts included in prices of special shares redeemed or purchased for cancellation, equal to the per share portion of income and distribution accounts	110,889	112,301
	6,419,828	6,556,172
Balance of distribution account at end of year	1,607,720	1,934,877
Included in paid-in surplus, annexed	10,786	10,193
Included in earned surplus, annexed	1,596,934	1,924,684
	\$1,607,720	\$1,934,877

## Canadian Investment Fund, Ltd.

### Statement of Surplus Account for the Year Ending December 31, 1971 (and comparative figures for 1970)

<b>Paid-in surplus:</b>	<b>1971</b>	<b>1970</b>
Balance at beginning of year	\$ 53,856,283	\$ 57,193,921
Less: Included in beginning balance of distribution account, annexed	10,193	33,545
	53,846,090	57,160,376
Proceeds from special shares subscribed for during year, not including portion of subscription price credited to distribution account, annexed	7,030,188	6,368,229
Less: Par value thereof	522,333	507,721
	6,507,855	5,860,508
	60,353,945	63,020,884
Deduct: Consideration paid on redemption or purchase for cancellation of special shares during year, not including amount charged to distribution account, annexed	11,425,964	9,969,827
Less: Par value thereof	854,400	795,033
	10,571,564	9,174,794
	49,782,381	53,846,090
Portion of subscription price included in balance of distribution account, annexed	10,786	10,193
Balance of paid-in surplus at end of year	49,793,167	53,856,283
<b>Earned surplus:</b>		
Net realized profits from sales of securities—		
Balance at beginning of year	45,403,794	42,704,912
Net realized profits during year	7,928,464	3,313,224
	53,332,258	46,018,136
Less: Amount transferred to distribution account.	644,081	614,342
Balance at end of year	52,688,177	45,403,794
Portion of balance of distribution account at end of year, annexed	1,596,934	1,924,684
Balance of earned surplus at end of year	54,285,111	47,328,478
Total surplus at end of year	\$104,078,278	\$101,184,761

**Statement of Changes in Net Assets for the Year Ending December 31, 1971**  
(and comparative figures for 1970)

	1971	1970
Net assets at beginning of year	\$166,316,038	\$171,899,291
Add (deduct) changes during year:		
Net investment income	5,373,943	5,652,621
Net realized profits from sales of securities (Note 2)	7,928,464	3,313,224
Increase (decrease) in unrealized appreciation of investments	3,100,084	(4,468,784)
Proceeds from issue of special shares	7,104,835	6,445,685
Consideration paid on redemption or purchase for cancellation of special shares	(11,536,853)	(10,082,128)
Cash dividends paid	(6,308,939)	(6,443,871)
	5,661,534	(5,583,253)
Net assets at end of year	\$171,977,572	\$166,316,038
	<b>Per share</b>	
Net asset value at end of year	\$4.70	\$4.42
Net asset value at beginning of year	\$4.42	\$4.47
Distribution out of net investment income (Note 3)	\$0.17	\$0.17
Distribution out of realized profits from sales of securities (Note 3)	nil	nil

**Notes to the Financial Statements December 31, 1971**

**Note 1:** The number of special shares issued and redeemed or purchased for cancellation are as follows:

	1971	1970
Outstanding at beginning of year	37,561,727	38,423,664
Changes during year:		
Issued	1,566,999	1,523,161
Redeemed or purchased for cancellation	2,563,199	2,385,098
Net decrease	996,200	861,937
Outstanding at end of year	36,565,527	37,561,727

**Note 2:** A summary of the net realized profits from sales of securities are as follows:

	1971	1970
Proceeds from sales of securities	\$ 42,955,110	\$ 39,109,436
Investments at average cost, at beginning of year	95,230,865	104,671,667
Cost of securities purchased	32,303,557	26,355,410
	127,534,422	131,027,077
Investments at average cost, at end of year	92,507,776	95,230,865
Cost of securities sold	35,026,646	35,796,212
Net realized profits from sales of securities	\$ 7,928,464	\$ 3,313,224

**Note 3:** Net income per share amounts to 14½ cents (1970 — 15 cents) calculated on the average number of shares outstanding during the year. Amounts available for distribution to shareholders include the above net income and, in accordance with company policy, an additional amount of approximately 1½ cents (1970 — 1½ cents) which is equal to Management and Directors' compensation charged to the income account deemed to have been in effect paid out of profits realized from the sale of securities.

**Note 4:** There are ten directors and seven officers of the Company. Two of the officers are directors. The nine directors who are remunerated received \$85,500 (1970 — \$85,500). None of the officers received remuneration in their capacity as officers of the Company.

# Auditors' Report

To the Shareholders of  
Canadian Investment Fund, Ltd.:

We have examined the statements of net assets and of investments of Canadian Investment Fund, Ltd., as at December 31, 1971 and the statements of income, distribution and surplus accounts and of changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, including confirmation, by correspondence with the depositaries, of the cash and securities owned at December 31, 1971.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1971 and the results of its operations and the changes in net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,  
Chartered Accountants.

Montreal, January 7, 1972

In the opinion of counsel, shareholders of the Company who were individuals resident in Canada in 1971 will, in determining their income tax liability to Canada, be entitled to take into consideration dividends received from this Company in that year when computing the 20% dividend tax credit permitted under the terms of Section 38 of the Canadian Income Tax Act.

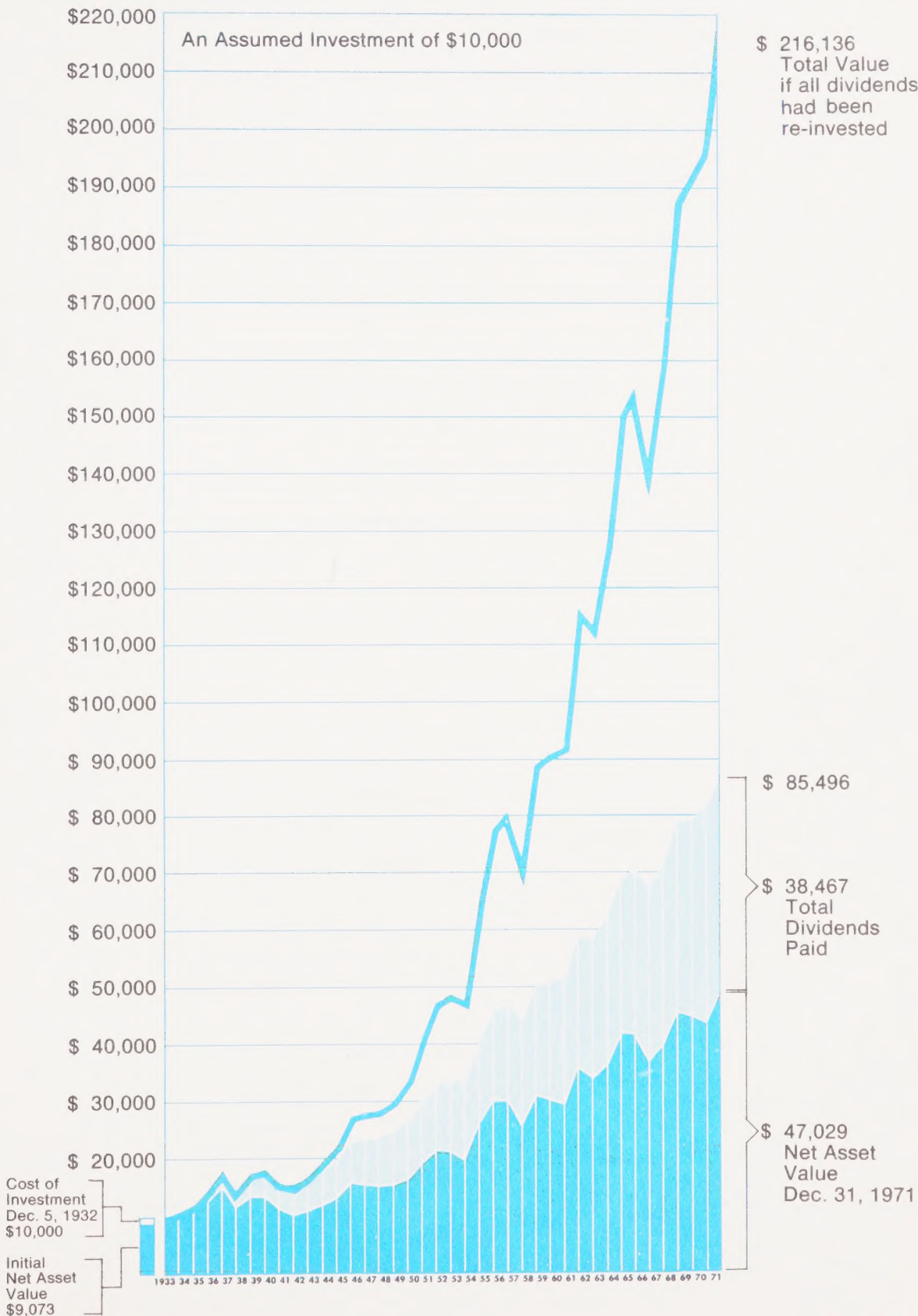
Residents of the Province of Quebec may similarly take such dividends into consideration for the purpose of their Provincial income tax and the 10% net dividend tax credit.

## Long Term Record

Shareholders may find it interesting to review the chart opposite which illustrates how an assumed investment of \$10,000 made at CIF's initial offering price in December 1932 had grown in the 39 years to the end of 1971. It should be pointed out that the figures make no provision for income taxes, if any, payable by the investor on dividends. Those interested in the long-term benefit accruing from an investment in a mutual fund such as CIF, based primarily on dividend paying quality common stocks, should note the relatively minor fluctuations in the value of the investment from year to year, as well as the long-term results.



Canadian Investment Fund, LTD.



## Canada

*"Upon the whole surface  
of the globe,  
there is no more spacious  
and splendid domain  
open to the activity  
and genius of free men."*

— Sir Winston Churchill